

TOWN OF AMHERST, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2015

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Amherst, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Amherst, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Amherst, Massachusetts, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

February 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Amherst, we offer readers this narrative overview and analysis of the financial activities of the Town of Amherst for the fiscal year ended June 30, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Amherst's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, conservation, planning and inspection, community services, library services, employee benefits, interest and intergovernmental. The business-type activities include sewer, water, landfill, and transportation activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer, water, landfill and transportation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health and workers compensation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each operation, each of which is considered to be a major fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information required by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities exceeded assets by \$(9,277,177) (i.e., net position), a change of \$(3,457,849) in comparison to the (restated) prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$21,418,437, a change of \$2,823,058 in comparison with the (restated) prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,510,595, a change of \$873,687 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$18,541,050, a change of \$(146,305) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014 (restated)</u>	<u>2015</u>	<u>2014 (restated)</u>	<u>2015</u>	<u>2014 (restated)</u>
Current and other assets	\$ 33,861	\$ 33,490	\$ 9,237	\$ 12,782	\$ 43,098	\$ 46,272
Capital assets	27,199	27,445	27,827	25,200	55,025	52,645
Deferred outflows	1,481	-	113	-	1,594	-
Total assets and deferred outflows	62,541	60,935	37,177	37,982	99,717	98,917
Long-term liabilities outstanding	87,610	36,273	15,055	12,247	102,665	48,520
Other liabilities	5,245	6,314	212	594	5,457	6,908
Deferred inflows	811	-	62	-	873	-
Total liabilities and deferred inflows	93,666	42,587	15,329	12,841	108,995	55,428
Net position:						
Invested in capital assets, net	22,157	21,511	19,660	16,329	41,817	37,840
Restricted	6,523	5,639	8,073	7,643	14,596	13,282
Unrestricted	(59,805)	(8,802)	(5,885)	1,169	(65,690)	(7,633)
Total net position	\$ (31,125)	\$ 18,348	\$ 21,848	\$ 25,141	\$ (9,277)	\$ 43,489

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014 (restated)</u>	<u>2015</u>	<u>2014 (restated)</u>	<u>2015</u>	<u>2014 (restated)</u>
Revenues:						
Program revenues:						
Charges for services	\$ 11,571	\$ 15,662	\$ 9,752	\$ 9,337	\$ 21,323	\$ 24,999
Operating grants and contributions	16,560	14,900	-	-	16,560	14,900
Capital grants and contributions	1,268	1,560	-	-	1,268	1,560
General revenues:						
Property taxes	44,860	43,296	-	-	44,860	43,296
Excises	1,632	1,512	-	-	1,632	1,512
Penalties and interest on taxes	2,106	1,640	-	-	2,106	1,640
Grants and contributions not restricted to specific programs	8,436	8,062	-	-	8,436	8,062
Investment income	263	213	18	25	281	238
Miscellaneous	456	222	597	191	1,053	413
Total revenues	87,152	87,067	10,367	9,553	97,519	96,620
Expenses:						
General government	8,690	7,760	-	-	8,690	7,760
Public safety	11,114	9,805	-	-	11,114	9,805
Education	37,119	38,144	-	-	37,119	38,144
Public works	3,659	4,080	-	-	3,659	4,080
Planning, conservation and inspections	1,571	2,421	-	-	1,571	2,421
Community services	3,213	3,431	-	-	3,213	3,431
Library services	1,610	1,845	-	-	1,610	1,845
Employee benefits	20,994	16,671	-	-	20,994	16,671
Interest on long-term debt	233	246	-	-	233	246
Intergovernmental	2,419	1,997	-	-	2,419	1,997
Sewer operations	-	-	4,070	3,602	4,070	3,602
Water operations	-	-	4,216	3,952	4,216	3,952
Landfill operations	-	-	532	517	532	517
Transportation operations	-	-	1,035	1,089	1,035	1,089
Total expenses	90,621	86,400	9,853	9,160	100,474	95,560
Change in net position before transfers	(3,469)	667	514	393	(2,955)	1,060
Transfers, net	(203)	(114)	(300)	(300)	(503)	(414)
Change in net position after transfers	(3,672)	553	214	93	(3,458)	646
Net assets - beginning of year, as restated	(27,453)	17,795	21,634	25,048	(5,819)	42,843
Net assets - end of year	\$ (31,125)	\$ 18,348	\$ 21,848	\$ 25,141	\$ (9,277)	\$ 43,489

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(9,277,177), a change of \$(3,457,849) from the prior year.

A large portion of net position, \$41,816,543, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be

provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$14,596,388 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(59,805,050) (governmental) and \$(5,885,058) (business-type).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(3,671,849). Key elements of this change are as follows:

	<u>Government-Wide Governmental Activities</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 159,038
State and local revenues over budget	760,325
Budgetary appropriations unspent by departments	296,105
Use of free cash (fund balance) as a funding source	(1,649,096)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	(19,588)
Other sources used in the current year	(325,498)
Change in Stabilization fund	1,447,813
Major fund - Ambulance receipts reserved transfers out in excess of revenue	(165,713)
Special revenue, trust fund and capital project fund revenues, bond proceeds and transfers in, in excess of expenditures and transfers out	2,319,672
Self insurance fund net decrease resulting from claims in excess of revenue	(1,847,311)
Depreciation expense in excess of principal debt service	(1,112,809)
Net OPEB obligation liability increase	(4,332,000)
Net pension liability increase, net of deferrals	(206,333)
Capital asset purchases	2,389,738
Reverse bond proceeds from revenue	(1,950,000)
Other timing differences	563,808
Total	<u>\$ (3,671,849)</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$214,000. Key elements of this change are as follows:

Sewer operations	\$ (360,049)
Water operations	351,985
Landfill operations	236,453
Transportation operations	<u>(14,389)</u>
Total	<u>\$ 214,000</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$21,418,437, a change of \$2,823,058 in comparison with the prior year. Key elements of this change are as follows:

	<u>Fund Balance Governmental Funds</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 159,038
State and local revenues over budget	760,325
Budgetary appropriations unspent by departments	296,105
Use of free cash (fund balance) as a funding source	(1,649,096)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	(19,588)
Other sources used in the current year	(325,498)
Change in Stabilization fund	1,447,813
Major fund - Ambulance receipts reserved transfers out in excess of revenue	(165,713)
Special revenue, trust fund and capital project fund revenues, bond proceeds and transfers in, in excess of expenditures and transfers out	<u>2,319,672</u>
Total	<u>\$ 2,823,058</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,510,595, while total fund balance was \$10,810,567. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 10,510,595	\$ 9,636,908	\$ 873,687	15.59%
Total fund balance	10,810,567	10,141,468	669,099	16.03%

¹ Includes Stabilization Fund.

The total fund balance of the general fund changed by \$669,099 during the current fiscal year. Key factors in this change are as follows:

	<u>Fund Balance General Fund</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 159,038
State and local revenues over budget	760,325
Budgetary appropriations unspent by departments	296,105
Use of free cash (fund balance) as a funding source	(1,649,096)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	(19,588)
Other sources used in the current year	(325,498)
Change in Stabilization fund	<u>1,447,813</u>
Total	<u>\$ 669,099</u>

Included in the total general fund balance is the Town's stabilization fund with the following balance:

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
Stabilization fund	\$ 5,796,294	\$ 4,348,481	\$ 1,447,813

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$(5,885,058), a change of \$(7,054,274) over the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The only difference between the original budget and the final amended budget was an increase of \$265,498 in the reserve fund, all of which was funded by overlay surplus.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$55,025,334 (net of accumulated depreciation), an increase of approximately \$2.4 million from the prior year. This investment in capital assets includes land, land improvements, building improvements, machinery, equipment and furnishings, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Infrastructure improvements to numerous streets and sidewalks of approximately \$1.1 million.
- Other governmental activity projects of approximately \$200,000, which includes library repairs and upgrades, school improvements and fire station upgrades.
- Land improvements of approximately \$160,000.
- Town and School department vehicle and equipment purchases of approximately \$940,000.
- Sewer collection and treatment system improvements of approximately \$2.6 million and vehicle and equipment purchases of approximately \$123,000.
- Various water plant improvements of approximately \$468,000, land purchases of \$500,000 and vehicle and equipment purchases of approximately \$44,000.
- Depreciation expense of approximately \$(2.6 million) in governmental activities and approximately \$(1.1 million) in business-type activities.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$18,541,050, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Amherst's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Sonia Aldrich
Comptroller
Town of Amherst
4 Boltwood Avenue
Amherst, MA 01002

TOWN OF AMHERST, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 17,975,482	\$ 4,001,628	\$ 21,977,110
Investments	11,831,424	3,502,873	15,334,297
Receivables, net of allowance for uncollectibles:			
Property taxes	597,378	-	597,378
Excises	92,429	-	92,429
User fees	-	1,323,765	1,323,765
Departmental and other	1,205,670	159,028	1,364,698
Intergovernmental	1,553,005	250,000	1,803,005
Loans receivable	17,335	-	17,335
Prepaid expenses	56,488	-	56,488
Noncurrent:			
Property taxes, net of allowance for uncollectibles	352,682	-	352,682
Land and construction in progress	3,668,758	5,222,258	8,891,016
Capital assets, net of accumulated depreciation	23,530,025	22,604,293	46,134,318
Working deposit	179,184	-	179,184
TOTAL ASSETS	61,059,860	37,063,845	98,123,705
DEFERRED OUTFLOWS OF RESOURCES	1,480,671	113,386	1,594,057
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	62,540,531	37,177,231	99,717,762
LIABILITIES			
Current:			
Warrants payable	771,957	-	771,957
Accounts payable	88,592	212,449	301,041
Accrued payroll and withholdings	1,936,079	-	1,936,079
Accrued claims payable	1,045,223	-	1,045,223
Other current liabilities	1,053,381	-	1,053,381
Notes payable	350,000	-	350,000
Current portion of long-term liabilities:			
Bonds payable	1,683,010	567,200	2,250,210
Other liabilities	66,737	40,000	106,737
Noncurrent:			
Bonds payable, net of current portion	7,586,640	8,704,200	16,290,840
Other liabilities, net of current portion	31,596,468	2,168,973	33,765,441
Net pension liability	46,676,599	3,574,350	50,250,949
TOTAL LIABILITIES	92,854,686	15,267,172	108,121,858
DEFERRED INFLOWS OF RESOURCES	810,979	62,102	873,081
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	93,665,665	15,329,274	108,994,939
NET POSITION			
Invested in capital assets, net of related debt	22,156,732	19,659,811	41,816,543
Restricted for:			
State and federal grants	6,056,698	-	6,056,698
Permanent funds:			
Nonexpendable	333,208	-	333,208
Expendable	133,278	-	133,278
Other purposes	-	8,073,204	8,073,204
Unrestricted	(59,805,050)	(5,885,058)	(65,690,108)
TOTAL NET POSITION	\$ (31,125,134)	\$ 21,847,957	\$ (9,277,177)

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
			Operating	Capital		Business-	
	Expenses	Charges for	Grants and	Grants and	Governmental	Type	Total
		Services	Contributions	Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 8,690,038	\$ 1,705,867	\$ 1,344,922	\$ -	\$ (5,639,249)	\$ -	\$ (5,639,249)
Public safety	11,113,633	3,320,052	488,146	-	(7,305,435)	-	(7,305,435)
Education	37,119,267	215,624	9,842,208	-	(27,061,435)	-	(27,061,435)
Public works	3,658,961	20,455	5,398	1,268,416	(2,364,692)	-	(2,364,692)
Planning, conservation & inspections	1,571,184	1,100,328	4,352,302	-	3,881,446	-	3,881,446
Community services	3,212,848	1,229,801	378,790	-	(1,604,257)	-	(1,604,257)
Library services	1,609,610	21,740	148,150	-	(1,439,720)	-	(1,439,720)
Employee benefits	20,994,174	3,956,858	-	-	(17,037,316)	-	(17,037,316)
Interest	232,742	-	-	-	(232,742)	-	(232,742)
Intergovernmental	2,418,897	-	-	-	(2,418,897)	-	(2,418,897)
Total Governmental Activities	90,621,354	11,570,725	16,559,916	1,268,416	(61,222,297)	-	(61,222,297)
Business-Type Activities:							
Sewer operations	4,070,339	4,129,106	-	-	-	58,767	58,767
Water operations	4,215,598	4,142,408	-	-	-	(73,190)	(73,190)
Landfill operations	532,185	460,356	-	-	-	(71,829)	(71,829)
Transportation operations	1,035,001	1,020,090	-	-	-	(14,911)	(14,911)
Total Business-Type Activities	9,853,123	9,751,960	-	-	-	(101,163)	(101,163)
Total	\$ 100,474,477	\$ 21,322,685	\$ 16,559,916	\$ 1,268,416	(61,222,297)	(101,163)	(61,323,460)
General Revenues:							
Property taxes					44,859,825	-	44,859,825
Excises					1,632,290	-	1,632,290
Penalties, interest and other taxes					2,105,584	-	2,105,584
Grants and contributions not restricted to specific programs					8,435,477	-	8,435,477
Investment income					263,379	18,407	281,786
Miscellaneous					456,476	596,756	1,053,232
Transfers, net					(202,583)	(300,000)	(502,583)
Total general revenues and transfers					57,550,448	315,163	57,865,611
Change in net position					(3,671,849)	214,000	(3,457,849)
Net Position:							
Beginning of year, as restated					(27,453,285)	21,633,957	(5,819,328)
End of year					\$ (31,125,134)	\$ 21,847,957	\$ (9,277,177)

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Ambulance Receipt Reserved</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 5,629,756	\$ 2,894,347	\$ 7,007,207	\$ 15,531,310
Investments	8,062,433	-	402,603	8,465,036
Receivables:				
Property taxes	699,676	-	9,849	709,525
Tax liens	641,667	-	4,779	646,446
Excises	159,577	-	-	159,577
Departmental and other, net of allowance	45,020	1,155,034	5,616	1,205,670
Intergovernmental	183,618	-	1,369,387	1,553,005
Loans receivable	-	-	17,335	17,335
Prepaid expenses	-	-	56,488	56,488
TOTAL ASSETS	\$ 15,421,747	\$ 4,049,381	\$ 8,873,264	\$ 28,344,392
LIABILITIES				
Warrants payable	\$ 596,069	\$ -	\$ 175,888	\$ 771,957
Accounts payable	-	-	84,535	84,535
Accrued payroll and withholdings	1,871,262	-	64,817	1,936,079
Notes payable	-	-	350,000	350,000
Other liabilities	606,456	-	446,925	1,053,381
TOTAL LIABILITIES	3,073,787	-	1,122,165	4,195,952
DEFERRED INFLOWS OF RESOURCES	1,537,393	1,155,034	37,576	2,730,003
FUND BALANCES				
Nonspendable	-	-	333,208	333,208
Restricted	-	2,894,347	4,404,525	7,298,872
Committed	-	-	2,975,790	2,975,790
Assigned	299,972	-	-	299,972
Unassigned	10,510,595	-	-	10,510,595
TOTAL FUND BALANCES	10,810,567	2,894,347	7,713,523	21,418,437
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,421,747	\$ 4,049,381	\$ 8,873,264	\$ 28,344,392

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total Governmental Fund Balances	\$ 21,418,437
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,198,783
<ul style="list-style-type: none">• Certain changes in net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	669,692
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectibles) and are not deferred until collection.	2,256,944
<ul style="list-style-type: none">• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	4,940,464
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, capital leases, compensated absences, other post-employment benefits, and net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(87,609,454)</u>
Net Position of Governmental Activities	\$ <u>(31,125,134)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General	Ambulance Receipt Reserved	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 44,704,353	\$ -	\$ -	\$ 44,704,353
Excises	1,624,288	-	-	1,624,288
Penalties, interest and other taxes	1,169,881	-	929,223	2,099,104
Charges for services	2,211,009	2,602,745	1,222,613	6,036,367
Intergovernmental	16,008,240	70,203	4,091,393	20,169,836
Licenses and permits	1,181,481	-	-	1,181,481
Fines and forfeitures	147,562	-	-	147,562
Investment income	190,400	772	9,362	200,534
Contributions	-	-	301,722	301,722
Miscellaneous	175,396	-	63,359	238,755
Total Revenues	67,412,610	2,673,720	6,617,672	76,704,002
Expenditures:				
Current:				
General government	10,454,580	-	732,710	11,187,290
Public safety	9,580,831	-	1,645,477	11,226,308
Education	36,143,708	-	2,072,745	38,216,453
Public works	2,310,082	-	1,850,772	4,160,854
Planning, conservation & inspections	1,124,041	-	597,152	1,721,193
Community services	1,863,372	-	1,222,192	3,085,564
Library services	1,788,532	-	67,423	1,855,955
Debt service	1,750,542	-	5,305	1,755,847
Intergovernmental	2,418,897	-	-	2,418,897
Total Expenditures	67,434,585	-	8,193,776	75,628,361
Excess (deficiency) of revenues over expenditures	(21,975)	2,673,720	(1,576,104)	1,075,641
Other Financing Sources (Uses):				
Bond proceeds	-	-	1,950,000	1,950,000
Transfers in	3,020,706	-	2,530,543	5,551,249
Transfers out	(2,329,632)	(2,839,433)	(584,767)	(5,753,832)
Total Other Financing Sources (Uses)	691,074	(2,839,433)	3,895,776	1,747,417
Change in fund balance	669,099	(165,713)	2,319,672	2,823,058
Fund Equity, at Beginning of Year	10,141,468	3,060,060	5,393,851	18,595,379
Fund Equity, at End of Year	\$ 10,810,567	\$ 2,894,347	\$ 7,713,523	\$ 21,418,437

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net Changes in Fund Balances - Total Governmental Funds	\$ 2,823,058										
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases</td><td style="text-align: right;">2,389,738</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(2,635,914)</td></tr> </table> Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures, and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue, net allowance for uncollectibles. <div style="text-align: right;">464,593</div> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Proceeds of debt issuance</td><td style="text-align: right;">(1,950,000)</td></tr> <tr> <td>Repayments of debt</td><td style="text-align: right;">1,523,105</td></tr> <tr> <td>Repayments of capital leases</td><td style="text-align: right;">115,808</td></tr> </table> Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits and net pension liability, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <div style="text-align: right;">(4,554,926)</div> Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with governmental activities. <div style="text-align: right;"><u>(1,847,311)</u></div> 	Capital outlay purchases	2,389,738	Depreciation	(2,635,914)	Proceeds of debt issuance	(1,950,000)	Repayments of debt	1,523,105	Repayments of capital leases	115,808	
Capital outlay purchases	2,389,738										
Depreciation	(2,635,914)										
Proceeds of debt issuance	(1,950,000)										
Repayments of debt	1,523,105										
Repayments of capital leases	115,808										
Change in Net Position of Governmental Activities	\$ <u>(3,671,849)</u>										

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Property taxes	\$ 44,545,315	\$ 44,545,315	\$ 44,545,315	\$ -
Excises	1,494,225	1,494,225	1,624,288	130,063
Penalties, interest and other taxes	1,150,483	1,150,483	1,169,881	19,398
Charges for services	2,225,856	2,225,856	2,211,009	(14,847)
Intergovernmental	15,724,558	15,724,558	16,008,240	283,682
Licenses and permits	896,987	896,987	1,181,481	284,494
Fines and forfeitures	227,033	227,033	147,562	(79,471)
Investment income	70,000	70,000	96,610	26,610
Miscellaneous	65,000	65,000	175,396	110,396
Transfers in	3,020,706	3,020,706	3,020,706	-
Other sources	1,709,096	1,974,594	1,974,594	-
Total Revenues and Other Sources	71,129,259	71,394,757	72,155,082	760,325
Expenditures and Other Uses:				
General government	10,715,484	10,700,606	10,417,236	283,370
Public safety	9,596,952	9,626,152	9,578,410	47,742
Education	36,164,850	36,164,850	36,139,708	25,142
Public works	2,076,997	2,328,173	2,318,514	9,659
Planning, conservation and inspections	1,161,383	1,161,383	1,137,126	24,257
Community services	1,903,749	1,903,749	1,866,032	37,717
Library services	1,788,533	1,788,533	1,788,532	1
Debt service	1,770,542	1,770,542	1,750,542	20,000
Intergovernmental	2,267,114	2,267,114	2,418,897	(151,783)
Transfers out	3,683,655	3,683,655	3,683,655	-
Total Expenditures and Other Uses	71,129,259	71,394,757	71,098,652	296,105
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,056,430	\$ 1,056,430

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
<u>ASSETS</u>						
Current:						
Cash and short-term investments	\$ 2,042,919	\$ 1,734,678	\$ 21,116	\$ 202,915	\$ 4,001,628	\$ 2,444,172
Investments	1,683,140	1,635,156	17,397	167,180	3,502,873	3,366,388
Receivable, net of allowance for uncollectibles:						
User fees	643,267	672,369	8,129	-	1,323,765	-
Departmental	-	-	-	159,028	159,028	-
Intergovernmental	-	250,000	-	-	250,000	-
Total current assets	4,369,326	4,292,203	46,642	529,123	9,237,294	5,810,560
Noncurrent:						
Land and construction in progress	370,001	4,354,315	497,942	-	5,222,258	-
Capital assets, net of accumulated depreciation	10,928,999	7,744,248	179,236	3,751,810	22,604,293	-
Working deposit	-	-	-	-	-	179,184
Total noncurrent assets	11,299,000	12,098,563	677,178	3,751,810	27,826,551	179,184
TOTAL ASSETS	15,668,326	16,390,766	723,820	4,280,933	37,063,845	5,989,744
DEFERRED OUTFLOWS OF RESOURCES	46,626	49,926	8,146	8,688	113,386	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	15,714,952	16,440,692	731,966	4,289,621	37,177,231	5,989,744
<u>LIABILITIES</u>						
Current:						
Accounts payable	212,449	-	-	-	212,449	4,057
Accrued claims payable	-	-	-	-	-	1,045,223
Current portion of long-term liabilities:						
Bonds payable	267,200	250,000	-	50,000	567,200	-
Other liabilities	-	-	40,000	-	40,000	-
Total current liabilities	479,649	250,000	40,000	50,000	819,649	1,049,280
Noncurrent:						
Bonds payable, net of current portion	4,419,200	4,100,000	-	185,000	8,704,200	-
Other liabilities, net of current portion	798,843	241,892	994,551	133,687	2,168,973	-
Net pension liability	1,469,840	1,573,860	256,782	273,868	3,574,350	-
Total noncurrent liabilities	6,687,883	5,915,752	1,251,333	592,555	14,447,523	-
TOTAL LIABILITIES	7,167,532	6,165,752	1,291,333	642,555	15,267,172	1,049,280
DEFERRED INFLOWS OF RESOURCES	25,538	27,345	4,461	4,758	62,102	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,193,070	6,193,097	1,295,794	647,313	15,329,274	1,049,280
<u>NET POSITION</u>						
Invested in capital assets, net of related debt	7,800,870	9,994,591	677,178	1,187,172	19,659,811	-
Restricted for other purposes	4,486,216	3,467,223	11,902	107,863	8,073,204	-
Unrestricted	(3,765,204)	(3,214,219)	(1,252,908)	2,347,273	(5,885,058)	4,940,464
TOTAL NET POSITION	\$ 8,521,882	\$ 10,247,595	\$ (563,828)	\$ 3,642,308	\$ 21,847,957	\$ 4,940,464

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
Operating Revenues:						
Charges for services	\$ 4,129,106	\$ 4,142,408	\$ 460,356	\$ 1,020,090	\$ 9,751,960	\$ 4,068,703
Employee and employer contributions	-	-	-	-	-	10,477,872
Total Operating Revenues	4,129,106	4,142,408	460,356	1,020,090	9,751,960	14,546,575
Operating Expenses:						
Salaries and wages	1,014,148	1,112,609	184,645	196,554	2,507,956	-
Operating expenses	2,153,585	2,146,648	335,257	653,048	5,288,538	-
Depreciation	580,257	394,110	12,283	161,428	1,148,078	-
Capital outlay	197,611	443,916	-	16,346	657,873	-
Health insurance claims	-	-	-	-	-	16,353,779
Other claims	-	-	-	-	-	102,952
Total Operating Expenses	3,945,601	4,097,283	532,185	1,027,376	9,602,445	16,456,731
Operating Income (Loss)	183,505	45,125	(71,829)	(7,286)	149,515	(1,910,156)
Nonoperating Revenues (Expenses):						
Investment income	11,418	6,390	77	522	18,407	62,845
Other nonoperating income (expense)	4,936	568,785	23,035	-	596,756	-
Interest expense	(124,738)	(118,315)	-	(7,625)	(250,678)	-
Total Nonoperating Revenues (Expenses), Net	(108,384)	456,860	23,112	(7,103)	364,485	62,845
Income (Loss) Before Transfers	75,121	501,985	(48,717)	(14,389)	514,000	(1,847,311)
Transfers, net	(435,170)	(150,000)	285,170	-	(300,000)	-
Change in Net Position	(360,049)	351,985	236,453	(14,389)	214,000	(1,847,311)
Net Position at Beginning of Year, restated	8,881,931	9,895,610	(800,281)	3,656,697	21,633,957	6,787,775
Net Position at End of Year	\$ 8,521,882	\$ 10,247,595	\$ (563,828)	\$ 3,642,308	\$ 21,847,957	\$ 4,940,464

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
<u>Cash Flows From Operating Activities:</u>						
Receipts from customers and users	\$ 4,056,056	\$ 4,052,323	\$ 464,303	\$ 1,014,162	\$ 9,586,844	\$ -
Payments to vendors and employees	(3,559,251)	(4,064,866)	(501,530)	(887,847)	(9,013,494)	-
Receipts from employees, employer, and others	-	-	-	-	-	15,713,606
Payments of employee benefits and expenses	-	-	-	-	-	(16,060,702)
Net Cash Provided By / (Used For) Operating Activities	496,805	(12,543)	(37,227)	126,315	573,350	(347,096)
<u>Cash Flows From Noncapital Financing Activities:</u>						
Other non-operating income	-	68,785	23,035	-	91,820	-
Transfers (out)	(150,000)	(150,000)	(8,768)	-	(308,768)	-
Net Cash Provided By / (Used For) Noncapital Financing Activities	(150,000)	(81,215)	14,267	-	(216,948)	-
<u>Cash Flows From Capital and Related Financing Activities:</u>						
Acquisition and construction of capital assets, net of disposals	(2,764,549)	(1,011,967)	10,725	-	(3,765,791)	-
Principal payments on bonds and notes	(273,200)	-	-	(50,000)	(323,200)	-
Interest payments	(124,738)	(118,315)	-	(7,625)	(250,678)	-
Net Cash Provided By / (Used For) Capital and Related Financing Activities	(3,162,487)	(1,130,282)	10,725	(57,625)	(4,339,669)	-
<u>Cash Flows From Investing Activities:</u>						
(Purchase) or sale of investments	766,948	87,307	1,628	(54,207)	801,676	35,170
Investment income	16,354	6,390	77	522	23,343	62,845
Net Cash Provided By / (Used For) Investing Activities	783,302	93,697	1,705	(53,685)	825,019	98,015
Net Change in Cash and Short-Term Investments	(2,032,380)	(1,130,343)	(10,530)	15,005	(3,158,248)	(249,081)
Cash and Short Term Investments, Beginning of Year	4,075,299	2,865,021	31,646	187,910	7,159,876	2,693,253
Cash and Short Term Investments, End of Year	\$ 2,042,919	\$ 1,734,678	\$ 21,116	\$ 202,915	\$ 4,001,628	\$ 2,444,172
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>						
Operating income (loss)	\$ 183,505	\$ 45,125	\$ (71,829)	\$ (7,286)	\$ 149,515	\$ (1,910,156)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	580,257	394,110	12,283	161,428	1,148,078	-
Changes in assets and liabilities:						
User fees and other receivables	(73,050)	(90,085)	3,947	(5,928)	(165,116)	1,166,729
Working deposit	-	-	-	-	-	910,395
Deferred outflows of resources	(46,626)	(49,926)	(8,146)	(8,688)	(113,386)	-
Warrants and accounts payable	(142,841)	(184,169)	-	(54,103)	(381,113)	(514,366)
Other liabilities	(57,564)	(184,481)	17,238	30,994	(193,813)	302
Net pension liability	27,586	29,538	4,819	5,140	67,083	-
Deferred inflows of resources	25,538	27,345	4,461	4,758	62,102	-
Net Cash Provided By / (Used For) Operating Activities	\$ 496,805	\$ (12,543)	\$ (37,227)	\$ 126,315	\$ 573,350	\$ (347,096)

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Agency Funds	OPEB Trust Fund
<u>ASSETS</u>		
Cash and short-term investments	\$ 257,275	\$ -
Investments	-	2,209,246
Accounts receivable	<u>33,626</u>	<u>-</u>
Total Assets	290,901	2,209,246
<u>LIABILITIES</u>		
Deferred revenue	33,630	-
Deposits held in custody	138,837	-
Other liabilities	<u>118,434</u>	<u>-</u>
Total Liabilities	<u>290,901</u>	<u>-</u>
<u>NET POSITION</u>		
Total Net Position	\$ <u>-</u>	\$ <u>2,209,246</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>OPEB Trust Fund</u>
Additions	
Investment income	\$ <u>74,445</u>
Net increase, before transfers	74,445
Transfer in	<u>502,583</u>
Net increase, after transfers	577,028
Net position	
Beginning of year	<u>1,632,218</u>
End of year	\$ <u><u>2,209,246</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Amherst, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Amherst (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *ambulance receipt reserved fund* is used to account for ambulance receipts, reserved under M.G.L. Chapter 40 Section 5F, to fund future ambulance-related appropriations as directed by Town Meeting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- The *sewer enterprise fund*, which accounts for operations of the Town's wastewater treatment facility and supporting infrastructure.
- The *water enterprise fund*, which accounts for operations of the Town's water services and supporting infrastructure.
- The *landfill enterprise fund*, which accounts for operations of the Town's transfer station and supporting infrastructure.
- The *transportation enterprise fund*, which accounts for operations of the Town's parking operations and supporting infrastructure.

The self-insured employee health program and workers compensation funds are reported as an *internal service fund* in the accompanying financial statements.

The *OPEB trust fund* accumulates resources for other post-employment retiree benefits for qualified employees.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments consist of certificates of deposit, corporate equities, governmental securities and the State retirement investment pool (PRIT) and are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 ½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$6,534.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	20
General infrastructure	20
Water/sewer infrastructure	50
Vehicles	3 - 5
Office equipment	5 - 7
Computer equipment	3 - 5

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on budget and actual page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/expenditures (GAAP basis)	\$ 67,412,610	\$ 67,434,585
Other financing sources/uses (GAAP basis)	<u>3,020,706</u>	<u>2,329,632</u>
Subtotal (GAAP basis)	70,433,316	69,764,217
Remove effect of combining General and Stabilization funds	(93,790)	1,354,023
Adjust tax revenue to accrual basis	(159,038)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(319,560)
Add end of year appropriation carryforwards to expenditures	-	299,972
Recognize use of fund balance and overlay surplus as funding source	<u>1,974,594</u>	<u>-</u>
Budgetary basis	<u>\$ 72,155,082</u>	<u>\$ 71,098,652</u>

D. Deficit Fund Equity

The following fund had a deficit as of June 30, 2015:

Enterprise Funds:	
Landfill	\$(563,828)

The Landfill fund deficit is the result of recording a liability for estimated future monitoring costs. The deficit is expected to be eliminated as these costs are incurred over the next 20 years.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's deposits are within this limitation.

As of June 30, 2015 the Town's bank balance was comprised of the following:

Insured	\$ 13,296,047
Uninsured	1,740,620
State pool	<u>7,759,833</u>
Total bank balance	<u>\$ 22,796,500</u>

4. **Investments**

A. **Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, and the investment policy adopted by the Town in October 2012, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town manages credit risk by the diversification and prudent selection of investment instruments and choice of depository. The policy also states that no more than 25% of the Town's investments shall be invested in a single financial institution.

The Town's general investments in certificates of deposit and corporate equities are exempt from credit risk disclosure. The OPEB Trust fund investments are in the State investment pool which is also not subject to credit risk. All investments in governmental securities are rated AAA.

B. **Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As previously noted, the Town adopted an investment policy in October 2012 that limits unsecured bank deposits to no more than 2% of an institution's assets or 10% of the Town's cash balance. In addition, the policy limits the Treasurer to investing in financial instruments included on a list produced annually by the Commonwealth Division of Banks (commonly referred to as the "Legal List of Investments").

As of June 30, 2015, \$2,091,238 of the Town's investments of \$17,543,543 are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

Per the Town's investment policy, no more than 25% of the Town's investments shall be invested in a single financial institution. Investments in any one issuer (other than governmental securities) that represent 5% or more of total investments are as follows:

Chicopee Savings Bank – CD	\$1,307,258
Greenfield Savings Bank – CDs	4,008,512
State investment pool (PRIT)	2,209,246

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. For the most part, the policy adopted in October 2012, establishes a one year investment term limit for applicable types of investments, such as U.S. Treasury notes and certificates of deposit.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>Exempt from Disclosure</u>
Certificates of deposit	\$ 11,413,683	\$ 9,469,398	\$ 1,944,285	\$ -
Corporate equities	2,341,238	-	-	2,341,238
Governmental securities	1,579,376	-	-	1,579,376
State investment pool (PRIT)	2,209,246	-	-	2,209,246
Total	<u>\$ 17,543,543</u>	<u>\$ 9,469,398</u>	<u>\$ 1,944,285</u>	<u>\$ 6,129,860</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Massachusetts General Law prohibits foreign investments, therefore, the investment policy adopted in October 2012 does not speak specifically to foreign currency issues. This risk is managed by limiting the Treasurer to investments contained on the "Legal List of Investments".

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

General fund taxes receivable at June 30, 2015 consist of the following:

Real Estate		
2015	\$ 564,407	
2014 and prior	<u>3,340</u>	
		567,747
Personal Property		
2015	16,029	
2014 and prior	<u>14,517</u>	
		30,546
Deferred Taxes		<u>101,383</u>
		<u>\$ 699,676</u>

6. Allowance for Doubtful Accounts

The ambulance receivables reported in the fund basis financial statements are shown net of an allowance for uncollectible of \$288,759. In addition, the receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes - current	\$ 10,764	\$ -
Deferred property taxes	70,968	-
Tax liens	324,179	-
Excises	67,148	-
Transportation	-	182,892

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015.

8. Loans Receivable

In January 2004, the Town sold the Cushman School to the Cushman-Scott Children's Center, Inc., a non-profit organization, for \$60,000. Under the terms of the sale, the Town received \$3,000 at closing and granted the Children's Center a \$57,000 mortgage, with the Cushman School property as collateral. The mortgage is payable to the Town over 15 years at 5% interest, in equal monthly installments throughout the loan period. The principal balance due to the Town at June 30, 2015 is \$17,335.

9. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass. CIP</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, being depreciated:					
Land improvements	\$ 4,995	\$ 160	\$ (10)	\$ -	\$ 5,145
Buildings and improvements	35,212	179	-	428	35,819
Machinery, equipment, and furnishings	11,116	1,341	(850)	-	11,607
Infrastructure	16,799	696	-	-	17,495
Total capital assets, being depreciated	68,122	2,376	(860)	428	70,066
Less accumulated depreciation for:					
Land improvements	(710)	(233)	10	-	(933)
Buildings and improvements	(26,346)	(917)	-	-	(27,263)
Machinery, equipment, and furnishings	(7,394)	(982)	850	-	(7,526)
Infrastructure	(10,310)	(504)	-	-	(10,814)
Total accumulated depreciation	(44,760)	(2,636)	860	-	(46,536)
Total capital assets, being depreciated, net	23,362	(260)	-	428	23,530
Capital assets, not being depreciated:					
Land	3,295	-	-	-	3,295
Construction in progress (CIP)	788	14	-	(428)	374
Total capital assets, not being depreciated	4,083	14	-	(428)	3,669
Governmental activities capital assets, net	\$ 27,445	\$ (246)	\$ -	\$ -	\$ 27,199

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass. CIP</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital assets, being depreciated:					
Land improvements	\$ 2,700	\$ -	\$ (10)	\$ -	\$ 2,690
Buildings improvements and infrastructure	27,594	-	-	5,471	33,065
Machinery, equipment, and furnishings	<u>7,381</u>	<u>166</u>	<u>(159)</u>	<u>-</u>	<u>7,388</u>
Total capital assets, being depreciated	37,675	166	(169)	5,471	43,143
Less accumulated depreciation for:					
Land improvements	(2,350)	(42)	10	-	(2,382)
Buildings improvements and infrastructure	(11,147)	(823)	-	-	(11,970)
Machinery, equipment, and furnishings	<u>(6,062)</u>	<u>(282)</u>	<u>157</u>	<u>-</u>	<u>(6,187)</u>
Total accumulated depreciation	<u>(19,559)</u>	<u>(1,147)</u>	<u>167</u>	<u>-</u>	<u>(20,539)</u>
Total capital assets, being depreciated, net	18,116	(981)	(2)	5,471	22,604
Capital assets, not being depreciated:					
Land	2,377	500	-	-	2,877
Construction in progress (CIP)	<u>4,707</u>	<u>3,109</u>	<u>-</u>	<u>(5,471)</u>	<u>2,345</u>
Total capital assets, not being depreciated	<u>7,084</u>	<u>3,609</u>	<u>-</u>	<u>(5,471)</u>	<u>5,222</u>
Business-type activities capital assets, net	<u>\$ 25,200</u>	<u>\$ 2,628</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ 27,826</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 396
Public safety	559
Education	644
Public works	880
Planning, conservation and inspections	8
Community services	116
Library services	<u>33</u>
Total depreciation expense - governmental activities	<u>\$ 2,636</u>
Business-Type Activities:	
Sewer	\$ 580
Water	394
Landfill	12
Transportation	<u>161</u>
Total depreciation expense - business-type activities	<u>\$ 1,147</u>

10. **Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015 (in thousands):

	Entity-wide Basis	
	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Net difference between projected and actual pension investment earnings	\$ <u>1,481</u>	\$ <u>113</u>

11. **Warrants and Accounts Payable**

Warrants payable represent 2015 expenditures paid by July 15, 2015 as permitted by law. Accounts payable represents additional 2015 expenditures paid after July 15, 2015.

12. **Other Current Liabilities**

This balance in the general fund consists primarily of prepaid real estate taxes and unclaimed checks (tailings).

The balance in non-major governmental funds consists primarily of Adult Education and Recreation revolving funds' revenue received in fiscal year 2015 for fiscal year 2016 programs.

13. **Anticipation Notes Payable**

The Town had the following short-term note outstanding at June 30, 2015:

<u>Type</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Bond anticipation	05/05/15	05/05/16	0.52%	\$ <u>350,000</u>

The following summarizes activity in short-term notes payable during fiscal year 2015:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
<u>Governmental Activities</u>				
Bond anticipation notes	\$ -	\$ 350,000	\$ -	\$ 350,000

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2015
Bonds Payable:			
Town Hall (refunding)	06/01/16	2.50 - 4.00	\$ 150,000
Police communications	10/01/17	2.00 - 3.00	75,000
DPW truck	10/01/17	2.00 - 3.00	90,000
Tree planting	10/01/17	2.00 - 3.00	183,600
Crocker Farm School (refunding)	10/01/18	2.00 - 4.00	780,000
Multipurpose 2010	08/01/19	2.50 - 3.00	500,000
Title V (MWPAT)	08/01/19	-	26,050
Hawthorne property	11/01/20	2.00 - 3.75	300,000
Road paving	11/01/20	2.00 - 3.75	2,700,000
Multipurpose 2012	03/15/22	2.00 - 3.00	470,000
Central Fire Station repairs	10/01/22	2.00 - 3.00	147,200
Road paving	10/01/22	2.00 - 3.00	800,000
Multipurpose 2014	03/01/24	2.00 - 3.75	1,097,800
Multipurpose 2015	02/17/25	2.00 - 5.00	1,950,000
Total Governmental Activities			\$ 9,269,650

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2015
Bond Payable:			
Parking garage (FY 10 refunding)	08/01/19	2.50 - 3.00	\$ 235,000
Harkness design (sewer)	03/15/22	2.00 - 3.00	70,000
Water treatment	03/15/32	2.00 - 3.00	3,400,000
Harkness construction (sewer)	10/01/32	2.00 - 3.00	3,664,200
Multipurpose 2014	03/01/34	2.00 - 3.75	1,902,200
Total Business-Type Activities			\$ 9,271,400

B. Future Debt Service

The annual payments to retire all general obligation long-term bonds outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,683,010	\$ 264,673	\$ 1,947,683
2017	1,518,010	215,915	1,733,925
2018	1,513,010	169,513	1,682,523
2019	1,391,810	124,054	1,515,864
2020	1,030,610	84,837	1,115,447
2021 - 2025	<u>2,133,200</u>	<u>107,788</u>	<u>2,240,988</u>
Total	<u>\$ 9,269,650</u>	<u>\$ 966,780</u>	<u>\$ 10,236,430</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 567,200	\$ 237,370	\$ 804,570
2017	567,200	221,635	788,835
2018	562,200	205,787	767,987
2019	558,400	189,946	748,346
2020	564,600	173,937	738,537
2021 - 2025	2,551,800	674,886	3,226,686
2026 - 2030	2,500,000	385,823	2,885,823
Thereafter	<u>1,400,000</u>	<u>76,077</u>	<u>1,476,077</u>
Total	<u>\$ 9,271,400</u>	<u>\$ 2,165,461</u>	<u>\$ 11,436,861</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2015:

General fund	\$ 9,243,600
Special revenue fund	<u>26,050</u>
	<u>\$ 9,269,650</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance July 1, 2014 (restated)	Additions	Reductions	Total Balance June 30, 2015	Less Current Portion	Equals Long-Term Portion June 30, 2015
Governmental Activities						
Bonds payable	\$ 8,843	\$ 1,950	\$ (1,523)	\$ 9,270	\$ (1,683)	\$ 7,587
Other:						
Capital lease	183	-	(116)	67	(67)	-
Accrued employee benefits	2,145	17	-	2,162	-	2,162
Other post-employment benefits	25,103	4,332	-	29,435	-	29,435
Net pension liability	45,801	876	-	46,677	-	46,677
Totals	<u>\$ 82,075</u>	<u>\$ 7,175</u>	<u>\$ (1,639)</u>	<u>\$ 87,611</u>	<u>\$ (1,750)</u>	<u>\$ 85,861</u>

	Total Balance July 1, 2014 (restated)	Additions	Reductions	Total Balance June 30, 2015	Less Current Portion	Equals Long-Term Portion June 30, 2015
Business-Type Activities						
Bonds payable	\$ 9,845	\$ -	\$ (573)	\$ 9,272	\$ (567)	\$ 8,705
Other:						
Landfill post-closure	840	-	(40)	800	(40)	760
Accrued employee benefits	226	-	(28)	198	-	198
Other post-employment benefits	1,337	-	(126)	1,211	-	1,211
Net pension liability	3,507	67	-	3,574	-	3,574
Totals	<u>\$ 15,755</u>	<u>\$ 67</u>	<u>\$ (767)</u>	<u>\$ 15,055</u>	<u>\$ (607)</u>	<u>\$ 14,448</u>

15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in 2016. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2015:

2016	\$ <u>66,781</u>
Total minimum lease payments	66,781
Less amounts representing interest	<u>(44)</u>
Present Value of Minimum Lease Payments	<u>\$ 66,737</u>

16. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain

maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post-closure care costs as a liability in the proprietary fund in each period based on landfill capacity used as of each balance sheet date.

The Town stopped accepting waste in 2003 and closed the landfill in fiscal year 2004. The \$800,000 reported as landfill post-closure care liability at June 30, 2015 represents post-closure care costs estimated to be \$40,000/year for the next 20 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

17. **Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2015 (in thousands):

	Entity-wide Basis	
	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Changes in proportion and differences between pension contributions and proportionate share of contributions	\$ <u>811</u>	\$ <u>62</u>

18. **Interfund Fund Transfers**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2015:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 3,020,706	\$ 3,683,655
Stabilization fund	1,354,023	-
Ambulance receipt reserved fund	-	2,839,433
Nonmajor Governmental Funds:		
Special revenue funds	142,958	499,058
Capital project funds	2,387,585	85,709
Sewer enterprise fund	-	435,170
Water enterprise fund	-	150,000
Landfill enterprise fund	285,170	-
OPEB trust fund	<u>502,583</u>	<u>-</u>
Total	\$ <u>7,693,025</u>	\$ <u>7,693,025</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

19. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position in governmental activities when external constraints from grantors or contributors are placed on net position.

Restricted net position reported in business-type activities represents reserves of equity, as designated by management, and grant revenue received in a prior year, which funded a portion of capital assets. The grant revenue portion of restricted net position is being amortized over the life of the related asset.

Permanent fund restricted net position are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

20. Governmental Funds – Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2015:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the balance remaining in capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance includes various special revenue funds set aside by Town Meeting and the balance of capital project funds funded by appropriation.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods. This fund balance classification includes stabilization funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54).

Following is a breakdown of the Town's fund balances at June 30, 2015:

	General Fund	Ambulance Receipt Reserved	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 333,208	\$ 333,208
Total Nonexpendable	-	-	333,208	333,208
Restricted				
Bonded projects	-	-	2,116,217	2,116,217
Special revenue funds	-	2,894,347	2,155,030	5,049,377
Expendable permanent funds	-	-	133,278	133,278
Total Restricted	-	2,894,347	4,404,525	7,298,872
Committed				
Town set-asides	-	-	33,200	33,200
Community preservation fund	-	-	974,121	974,121
Capital project funds	-	-	1,968,469	1,968,469
Total Committed	-	-	2,975,790	2,975,790
Assigned				
Encumbrances	299,972	-	-	299,972
Total Assigned	299,972	-	-	299,972
Unassigned				
Unassigned	4,714,301	-	-	4,714,301
Stabilization fund	5,796,294	-	-	5,796,294
Total Unassigned	10,510,595	-	-	10,510,595
Total Fund Balance	\$ 10,810,567	\$ 2,894,347	\$ 7,713,523	\$ 21,418,437

21. Subsequent Events

Capital lease – In July 2015 the Town issued a new capital lease for a Toro mower. The lease requires three annual payments of approximately \$9,900, starting in fiscal year 2016.

22. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

23. **Post-Employment Health Care and Life Insurance Benefits**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the statement of net position over time.

A. Plan Description

In addition to providing the pension benefits described in the following note, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2014, the actuarial valuation date, approximately 389 retirees (and spouses) and 513 active employees met the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute between 20% and 25% of the cost of the health plan, depending on their date of retirement and the health plan chosen, as determined by the Town. Surviving spouses contribute between 20% and 50% depending on the health plan chosen. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table

shows the components of the Town's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2014 (in thousands):

	Governmental Funds	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total
Annual Required Contribution (ARC)	\$ 6,371	\$ 171	\$ 70	\$ 56	\$ 33	\$ 6,701
Interest on net OPEB obligation	1,005	27	11	7	3	1,053
Adjustment to ARC	<u>(865)</u>	<u>(24)</u>	<u>(10)</u>	<u>(6)</u>	<u>(3)</u>	<u>(908)</u>
Annual OPEB cost	6,511	174	71	57	33	6,846
Contributions made	<u>(2,179)</u>	<u>(203)</u>	<u>(254)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2,640)</u>
Increase/(decrease) in net OPEB obligation	4,332	(29)	(183)	55	31	4,206
Net OPEB obligation - beginning of year (restated)	<u>25,103</u>	<u>734</u>	<u>361</u>	<u>162</u>	<u>80</u>	<u>26,440</u>
Net OPEB obligation - end of year	<u>\$ 29,435</u>	<u>\$ 705</u>	<u>\$ 178</u>	<u>\$ 217</u>	<u>\$ 111</u>	<u>\$ 30,646</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 6,846	39%	\$ 30,646
2014	\$ 9,183	33%	\$ 26,440
2013	\$ 8,705	37%	\$ 23,448
2012	\$ 8,232	31%	\$ 17,995
2011	\$ 6,534	35%	\$ 12,287

The Town's net OPEB obligation as of June 30, 2015 is recorded as a component of the "other long-term liabilities" line item in both the governmental activities and business-type activities.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 95,746
Actuarial value of plan assets	<u>(1,632)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 94,114</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>1.7%</u>
Covered payroll (active plan members)	<u>32,783</u>
UAAL as a percentage of covered payroll	<u>287.1%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In fiscal year 2011, the Town established an OPEB Trust Fund under MGL Chapter 32B, Section 20. The balance in the trust fund is \$2,209,246 as of June 30, 2015.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets is assumed to be market value. The actuarial assumptions included a 4% interest/discount rate and a healthcare cost trend rate starting at 7% and decreasing to 4.5% starting in fiscal year 2019. The amortization costs for the UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

24. Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Hampshire Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the System located at 99 Industrial Avenue Northampton, MA 01060.

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2015 was \$4,696,387, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of approximately \$50 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Town's proportion was 26.94 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$4,918,523. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual pension investment earnings	\$ 1,594	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 873

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Year ended June 30:		
2016	\$ 398,514	\$ 74,622
2017	398,514	74,622
2018	398,514	74,622
2019	398,515	74,622
2020	-	74,622
Thereafter	-	499,971
Total	<u>\$ 1,594,057</u>	<u>\$ 873,081</u>

Actuarial assumptions: A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	1/1/2014
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.875%
Projected salary increases	4.5-7.5%
Inflation rate	3.00%
Post-retirement cost-of-living adjustment	3% of first \$13,000

Mortality rates were based on the RP2000 Table projected 19 years with Scale BB.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	1.00%	0.73%
Large Cap Equities	9.00%	4.61%
Small/Mid Cap Equities	6.00%	4.85%
International Equities (Unhedged)	11.00%	5.10%
International Equities (Hedged)	0.00%	5.34%
Emerging International Equities	6.00%	6.31%
Core Bonds	7.00%	1.42%
High-Yield Bonds	3.00%	2.91%
Bank Loans	3.00%	3.16%
Global Bonds (Unhedged)	3.00%	0.00%
EMD (Local Currency)	6.00%	4.13%
Private Equity	8.00%	6.55%
Private Debt	2.00%	5.10%
Real Estate	8.00%	3.40%
Hedge Funds	11.00%	3.88%
Global Asset Allocation	16.00%	4.17%
Total	<u>100.00%</u>	
Inflation		3.00%
Expected arithmetic nominal return		<u>4.84%</u>

Discount Rate: The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.875%) or 1 percentage-point higher (8.875%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.875%)</u>	<u>Current Discount Rate (7.875%)</u>	<u>1% Increase (8.875%)</u>
June 30, 2015	\$ 69,044	\$ 50,251	\$ 43,072

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

25. **Massachusetts Teachers' Retirement System (MTRS)**

A. **Plan Description**

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the

Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members — two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timeber/natural resources	4.0%	5.0%	5.00%
Total	100.0%		

E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$21,426,000	\$17,234,000	\$13,672,000
June 30, 2014	\$20,247,000	\$15,896,000	\$12,200,000

G. Special Funding Situation

The Town is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Town is a nonemployer

contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2014 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$27,702,223 and \$1,924,606 respectively, based on a proportionate share of 0.174%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

26. Self Insurance

The Town self-insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

Workers Compensation

The Town contracts with an insurance consultant for claims processing of the Town's workers compensation policy and, for cost benefit purposes, has not contracted for excess liability coverage. The Town estimates that there are no material claims outstanding at year end. Accordingly, no accrued claims liability is reported.

Health Insurance

The Town contracts with an insurance consultant for claims processing and for excess liability coverage. Under the terms of its insurance coverage, the Town is liable for costs incurred up to \$250,000 per covered individual, with a unlimited maximum per person lifetime coverage. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Claims liability, July 1, 2014	\$ 1,563,646
Claims incurred/recognized in fiscal year 2015	13,887,103
Claims paid in fiscal year 2015	<u>(14,405,526)</u>
Claims liability, June 30, 2015	<u>\$ 1,045,223</u>

The claims liability at year end was comprised of the following:

Monthly claims through June 2015, paid in fiscal year 2016	\$ 159,609
Estimated incurred but not reported claims	<u>885,614</u>
Total claims liability	<u>\$ 1,045,223</u>

Segment Information

Segment information for the internal service funds for the year ended June 30, 2015 is as follows:

	Health <u>Insurance</u>	Workers <u>Compensation</u>	<u>Total</u>
Cash	\$ 2,242,596	\$ 201,576	\$ 2,444,172
Total assets	5,788,168	201,576	5,989,744
Accounts payable	4,057	-	4,057
Claims liability	1,045,223	-	1,045,223
Total equity	4,738,888	201,576	4,940,464
Operating revenue	14,479,496	67,079	14,546,575
Operating expense	16,353,779	102,952	16,456,731
Change in net position	(1,811,933)	(35,378)	(1,847,311)

27. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

28. Beginning Net Position Restatement

The beginning, July 1, 2014, net position of the Town governmental and business-type activities have been restated as follows:

As previously stated, 06/30/14	\$ 15,200,644
Adjust net OPEB obligation	3,146,645
Record net pension liability	<u>(45,800,574)</u>
As restated, 06/30/14	<u>\$ (27,453,285)</u>

	As Previously Stated <u>06/30/14</u>	Record Net Pension <u>Liability</u>	As Restated <u>06/30/14</u>
Sewer fund	\$ 10,324,185	\$ (1,442,254)	\$ 8,881,931
Water fund	11,439,932	(1,544,322)	9,895,610
Landfill fund	(548,318)	(251,963)	(800,281)
Transportation fund	<u>3,925,425</u>	<u>(268,728)</u>	<u>3,656,697</u>
Total Enterprise	<u>\$ 25,141,224</u>	<u>\$ (3,507,267)</u>	<u>\$ 21,633,957</u>

TOWN OF AMHERST, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2015

(Unaudited)

(amounts expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percent- age of Covered Payroll [(b-a)/c]
06/30/14	\$ 1,632	\$ 95,746	\$ 94,114	1.7%	\$ 32,783	287.1%
06/30/12	\$ -	\$ 93,708	\$ 93,708	0.0%	\$ 30,197	310.3%
06/30/10	\$ -	\$ 74,870	\$ 74,870	0.0%	\$ 25,789	290.3%
07/01/07	\$ -	\$ 68,990	\$ 68,990	0.0%	n/a	n/a

See Independent Auditor's Report.

TOWN OF AMHERST, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)
(amounts expressed in thousands)

<u>Hampshire County Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	<u>26.94%</u>
Proportionate share of the net pension liability for the most recent measurement date	\$ <u>50,251</u>
Covered-employee payroll for the most recent measurement date	\$ <u>19,917</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>252.30%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>58.07%</u>
 <u>Massachusetts Teachers' Retirement System:</u>	 <u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.17%
 The Town's proportionate share of the net pension liability for the most recent measurement date	 \$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the Town	<u>27,702</u>
Total net pension liability associated with the Town	\$ <u><u>27,702</u></u>
Covered-employee payroll for the most recent measurement date	\$ 9,661
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

TOWN OF AMHERST, MASSACHUSETTS
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)
(amount expressed in thousands)

<u>Hampshire County Retirement System</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 4,696
Contributions in relation to the contractually required contribution	<u>4,696</u>
Contribution deficiency (excess)	\$ <u>-</u>
Covered-employee payroll for the current fiscal year	<u>20,707</u>
Contributions as a percentage of covered-employee payroll	<u>22.68%</u>

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See Independent Auditors' Report.